Issue

The dollar limit for General Plant Projects (GPP) currently stands at $5M. This amount was last increased in 1997. According to the existing Department of Energy (DOE) Accounting Handbook GPPs are

> "miscellaneous minor new construction projects of a general nature, the total estimated costs of which may not exceed the congressionally established limit. GPPs are necessary to adapt facilities to new or improved production techniques, to effect economies of operations, and to reduce or eliminate health, fire and security problems. These projects provide for design or construction (or both), additions, and improvements to land, buildings, and utility systems, and they may include the construction of small new buildings, replacements or additions to roads, and general area improvements."

In addition,

> "GPP funds are not intended to be used in incremental segments to construct larger facilities. Care should be exercised to ensure that each specific project is a discrete, stand-alone entity. Each project is to result in the delivery of a complete and usable facility including the initial complement of equipment required for the facility to meet its intended purpose. In this regard, only GPP funds can be used to make the facility complete and usable."

The purpose of this paper is to request an increase in the GPP upper limit from $5M to ~~$10.M~~$7.5M.

Background

Since 1987 the upper GPP limit has been increased from

- $750K to $1M
- $1M to $1.2M
- $1.2M to $2M
- $2M to $5M

Along the way, requirements were placed on GPPs to include within their Total Estimated Cost (TEC) the cost of the initial moveable equipment. This included machine tools, laboratory and office furniture and equipment necessary to outfit a facility for operation. In addition, the cost of laboratory burdens (overhead costs) to bring construction projects in compliance with Cost Accounting Standards was also required within the existing TEC.

Since 1997, the cost of doing business at all DOE sites has risen due to increased number of DOE Directives the sites must comply with in addition to increased oversight activities. While the sites remain firmly committed to a secure workplace and the accountability requirements placed upon all of us to adequately account for the assets and funds of the Department, these enhanced activities come with a price."~~Since 1997, the cost of doing business at all DOE sites has risen because of our commitment to a safe work environment, our commitment to a secure workplace and the accountability requirements placed upon all of us to adequately account for the assets and funds of the department.~~ The development and maintenance of project management systems that would be compatible with our financial systems, and at the same time provide the necessary information to adequately manage projects, have added to the cost of doing business at our sites. Those cost eventually are charged to all programs and activities that benefit from them including construction projects. While we continually strive to develop and follow good business practices, we all are keenly aware that it cost money to do so. With our commitments to safety, security and accountability we have continually pressed against the $5M GPP limit and in almost all cases the projects have had to suffer. We have had to reduce the scope of many projects to keep them within the

requirements noted above that require a standalone complete and usable facility for no more than $5M. While we have integrated cost saving measures such as design-build projects, the cost of inflation and the cost of doing business as noted above are preventing us from making any headway in replacing some of our basic and very aging small facilities and equally aging infrastructure.
While it is difficult ~~impossible~~ to determine with a high degree of precision the dollar value impact on a specific construction project that our business practices noted above have had since 1997, it is not unrealistic to think that the cost has been ~~anywhere from $500K to $1M~~as much as $500K on a $5M dollar project. What that means to us in FY 03 is that with inflation costing us approximately $935K, the real scope of a GPP project using the FY 1997 limit of $5M has been reduced by $1.435 ($500K + $935K) to as high as $1.935M ($935K + $1M).

Impacts

Since 1997, the TEC of a GPP has had to squeeze in the cost associated with more detailed project management requirements in addition to other LANL and DOE requirements imposed on construction management activities. The current TEC limit for a GPP is $5 million for a complete and usable facility. In a typical GPP, the work was intended to be designed in one year, and constructed the following year.

When estimating a GPP that should be completed in two years, the cost of inflation does not impact the estimate since the estimate covers work to be completed in the near term. However, the cost of inflation over a longer period erodes on the scope of work that can be constructed for the same fixed dollar amount over time. In Exhibit A, we have calculated the impact inflation has had on the $5M dollar GPP limit since 1997 and the impact it has had on our ability to keep pace with adequate scopes of work for our GPP program. We used the available national consumer price index (CPI) (not adjusted for doing work in a remote location like Los Alamos) to demonstrate our point.

From 1997 to 2001 the CPI indicates that it would take $5.5M in FY 01 dollars to construct the same type of project that we could do for $5M in 1997. If you further adjust the inflation numbers as noted below by the cost of other activities affecting construction projects as noted above, the cost in the out years would increase from those noted below by either $500K or $1M.

Fiscal Year	GPP Limit	CPI	CPI Adjusted GPP Limit	Total Estimated CPI And other added project cost Adjusted GPP Limit (@ $500K)	(@ $1M)
FY98	$5,000,000	1.6%	$5,080,000	$5,580,000	$6,080,000
FY99	5,000,000	2.2%	5,191,760	5,691,760	6,191,760
FY00	5,000,000	3.4%	5,368,280	5,868,280	6,368,280
FY01	5,000,000	3.4%	5,550,801	6,050,801	6,550,801
FY02	5,000,000	3.4%	5,739,529	6,239,529	6,739,529
FY03	5,000,000	3.4%	5,934,673	6,434,673	6,934,673
FY04	5,000,000	3.4%	6,136,451	6,636,451	7,136,451
FY05	5,000,000	3.4%	6,345,091	6,845,091	7,345,091

The next budget cycle starts in FY04. Using a normal budget cycle the project would be designed in FY06 and completed in FY 07 or FY08. The inflation inpact would be approximately the following:

FY06	5,000,000	3.4%	6,560,823	7,060,824	7,560,824
FY07	5,000,000	3.4%	6,783,892	7,283,892	7,783,892
FY08	5,000,000	3.4%	7,014,544	7,514,544	8,014,544

Based on the information noted above we are requesting an increase in the GPP limit from $5M to h$7.5M~~$10M~~.

Alternative Approaches

Another approach for this change might be based in approval authority limits and reporting requirements as detailed in DOE 413.3. The earned value reporting requirement kicks in at $20M. This is also the point at which someone in the local field office cannot be designated as the Acquisition Executive. It would make sense that below that threshold, projects are GPPs and AIPs rather than line items. A useful table would be a list of those line items under $10M (or $20M) that were approved or rejected by Congress. If there have been few or none of these projects approved in recent years then there is an obvious gap in available funding options for this type of project.

If the GPP limit goes up could we also could consider getting the AIP limit raised.